



Course of Construction Insurance

(aka Builder's Risk)

Presented by Morris Haggerty



What is it?

- Before a building is completed, it is not insured under your property coverage. Course of Construction Insurance, also known as Builder's Risk, provides insurance while the building is being built.
- Offers coverage on a building that is being:
 - Newly constructed
 - Altered
 - Repaired



What does it cover?

- Contractor and subcontractors
- Damage to the construction project and construction materials



What DOESN'T it cover?

- Making good faulty or defective workmanship, material, construction, or design.
- Infidelity of the insured's employees.
- Contractor's equipment of every description.



How do you get it?

- The construction contract must specify that you, the named insured, shall provide that insurance to protect the interest of the contractors or subcontractors.
- Notify Risk Management that you will be starting a construction project and will need coverage.
 - A simple reporting form is available on our website to activate Course of Construction insurance.



<http://risk.utah.gov/>

- **Course of Construction Coverage Activation Form**
- Name of governmental entity:
- Name of contractor:
- Name of project:
- Commencement date:
- Contract cost:
- Deductible (if greater than \$1,000 standard deductible)
- •Attach or email a copy of the signed contract.
- •You should supply the contractor with a copy of the Course of Construction policy. Copies can be obtained from Julie Clark at the Division of Risk Management, 538-9560.
- •You must notify the contractor that in the event of loss or damage to Covered Property the insured must:
 - •(1) Notify the police if a law may have been broken.
 - •(2) Give the Utah Division of Risk Management ("Risk Management") notice of the physical loss or damage as soon as possible, but in no event not more than 72 hours after the loss or damage occurs. Include a description of the property involved and a description of how, when and where the loss or damage occurred.
 - •(3) Take all reasonable steps to protect the Covered Property from further damage and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. Also, if feasible, set the damaged property aside and in the best possible order for examination and/or make no repairs until Risk Management has a reasonable opportunity to inspect the damaged property.
 - •(4) As often as may be reasonably required, permit Risk Management to inspect the property proving the loss or damage and examine your books and records. Also permit Risk Management to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.
 - •(5) Send Risk Management a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request.
 - •(6) Cooperate with the Risk Management in the investigation or settlement of the claim.
- •Premiums will be assessed at the beginning of the ensuing fiscal year or at the time a claim is made under the policy.



When do you pay?

Next premium cycle



How much does it cost?

- Approximately one third of what the contractor would pay a commercial insurance company.
- You can pay less for your construction projects.



What does the builder have to do?

- Notify the police if a law may have been broken.
- Give the Utah Division of Risk Management ("Risk Management") notice of the physical loss or damage as soon as possible, but in no event not more than 72 hours after the loss or damage occurs. Include description of property involved, how, when, and where the loss or damage occurred.



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- Take all reasonable steps to protect the Covered Property from further damage and keep a record of expenses necessary to protect Covered Property for consideration in settlement of the claim. Set damaged property aside and make no repairs until Risk Management has inspected the damaged property.
 - This will not increase the limit of insurance.



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- As often as required, permit Risk Management to inspect the property proving the loss or damage and examine your books and records. Also, permit Risk Management to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.



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- Send Risk Management a signed, sworn proof of loss containing the information we request to investigate the claim. This must be done within 60 days after our request.
- Cooperate with Risk Management in the investigation or settlement of the claim.



What problems have we been seeing?

- The contract does not say that the insured will provide the insurance.
- The contract says the contractor will provide coverage.
- The contract and the RFP are inconsistent.
- The claim is reported late.